

Long Call Calendar

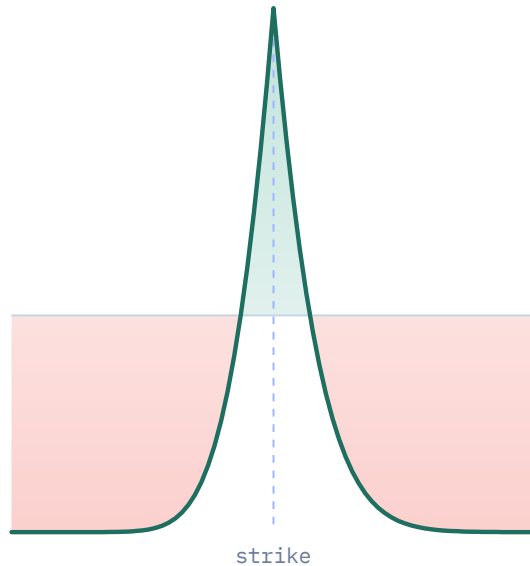
Trade the volatility term structure instead of the direction.

also: calendar spread · time spread · horizontal spread

PAYOFF PROFILE

Profit / loss per contract unit

Profit



Loss

Value at the near expiration, not a classic expiry payoff.

Price at expiration →

CONSTRUCTION

- -1 Call at the strike (near expiration)
- +1 Call at the strike (far expiration)

KEY FIGURES

Maxprofit depends on implied volatility and time left

Maxloss approximately the debit

Break-even simulation only

Profitzone price near the strike at the near expiration

Capitalrequired equal to the debit

Opening premium is paid

WHAT HELPS THE POSITION

Direction Direction barely matters

Movement Large moves hurt

Time Time works for you

Volatility Rising volatility helps

WHAT PAYS YOU

Volatility

Size of the move against you

You get paid on the IV term structure, and on the near option decaying faster than the far one.

TYPICAL USE

Market phase sideways range, calming down after a volatility spike

Volatility low (IV rank < 30) / medium (IV rank 30-50)

Goal Trading volatility, Speculation

Expiration nahes Leg 20-30, fernes Leg 50-90 days

Strike choice ATM

Assignment risk medium on the near-term short call

EXIT & MANAGEMENT

Take profit 20-40% of the debit

Loss limit 50% of the debit

Time rule decide before the near expiration

THE ONE QUESTION BEFORE ENTRY

Is the near-term expiration expensive relative to the far one (a term structure in backwardation)?

COMMON MISTAKES

- Payoff diagrams online show the value at the near expiration, not a final state – misunderstanding number one
- Never checked the IV term structure: the near expiration should be pricier than the far one



Related: Long Call Diagonal · Long Put Calendar — Opposite: Long Straddle

Figures are per contract unit at expiration, before fees and tax. This is not investment advice — options can lose their entire value.